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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
whether there has been a violation of the  
Securities Act of Washington by:

MORGAN STANLEY DW INC.; ARUN  
SARDANA; MICHAEL T. MORIARTY; and  
LORENZO D. ASCOLI,

Respondents.

No. S-02-030-04-AG01

CONSENT AGREEMENT

**INTRODUCTION**

On November 4, 2003, the Securities Division, Department of Financial Institutions, State of Washington (the "Securities Division"), entered a Statement Of Charges against Respondents Morgan Stanley DW Inc., Arun Sardana, Michael T. Moriarty, and Lorenzo D. Ascoli, number S-02-030-03-SC01, (hereinafter referred to as the "Statement of Charges"). In the Statement of Charges, the Securities Division set forth certain allegations, which the Respondents neither admit nor deny.<sup>1</sup> To avoid the cost and uncertainty of litigation, and without any admission of liability or wrongdoing by Respondents, the Securities Division is willing to conclude its investigation and accept this Consent Agreement in lieu of further formal proceedings in this matter. Pursuant to the Securities Act of Washington, RCW 21.20, et. seq., the Securities Division and Respondents hereby enter into this Consent Agreement in settlement of the above captioned matter.

<sup>1</sup> These allegations are styled as "Tentative Findings of Fact" and "Conclusions of Law" and are incorporated by reference into this Consent Agreement.

1 **CONSENT AGREEMENT**

2 Based upon the foregoing,

3 IT IS AGREED that Morgan Stanley DW Inc. shall within 120 days of entry of this Consent  
4 Agreement voluntarily revise its supervisory policies and procedures to provide supervisors with  
5 additional tools to evaluate the suitability of its clients' investments, including, among other areas, with  
6 respect to margin loans and equity concentrations. For good cause shown, and upon receipt of a timely  
7 application from Morgan Stanley DW Inc., the Securities Division may extend the procedural date set  
8 forth above.

9 IT IS FURTHER AGREED that Morgan Stanley DW Inc. shall provide special training on topics  
10 which shall include suitability of margin loans and equity concentrations to its financial advisors  
11 registered in the State of Washington as securities salespersons or investment adviser representatives.  
12 Morgan Stanley DW Inc. further agrees to make this training available to its financial advisors not  
13 registered in the State of Washington.

14 IT IS FURTHER AGREED that Morgan Stanley DW Inc. shall pay Seventy Five Thousand  
15 Dollars (\$75,000) as a voluntary donation to the Investor Protection Trust, a 501(c)(3) non-profit  
16 headquartered in Arlington, VA, for projects promoting investor education in the State of Washington.  
17 Said payment shall be made to the Investor Protection Trust, in care of the Securities Division, within  
18 twenty (20) business days of the entry of this Consent Agreement.

19 IT IS FURTHER AGREED that Morgan Stanley DW Inc. shall pay the Securities Division a total  
20 amount of One Hundred Twenty Five Thousand Dollars (\$125,000). Said payment is to be made to the  
21 Securities Division within twenty (20) business days of the entry of this Consent Agreement. This total  
22 amount shall be paid as follows:

a. Morgan Stanley DW Inc. shall pay One Hundred Thousand Dollars (\$100,000) to reimburse the Securities Division's costs incurred in its investigation of this matter; and

b. Morgan Stanley DW Inc. shall pay Twenty Five Thousand Dollars (\$25,000) to customer Tiffany T., as referenced in the Statement of Charges. The funds will be paid into a special account established by the Securities Division for reimbursement to Tiffany T. Upon receipt of the funds, the Securities Division will promptly issue a warrant from that special account to Tiffany T.

IT IS FURTHER AGREED that this Consent Agreement concludes the investigation by the Securities Division and any other action that the Securities Division could commence under the Securities Act of Washington, RCW 21.20, et. seq., on behalf of the State of Washington as it relates to the Respondents named in the Statement of Charges and the allegations contained therein, excluding however, any actions by the Securities Division arising from or relating to any violations of this Consent Agreement.

IT IS FURTHER AGREED that execution of this Consent Agreement by the Securities Division is without prejudice to the right of the Securities Administrator to take enforcement action against any Respondent based upon a violation of this Consent Agreement or the basis for its entry if the Securities Administrator determines that any Respondent has failed to comply with the terms of this Consent Agreement.

IT IS FURTHER AGREED that for any person or entity not a party to this Consent Agreement, this Consent Agreement does not limit or create any private rights or remedies against Respondents, limit or create liability of Respondents, or limit or create defenses of Respondents to any claims. Nothing in

1 this Consent Agreement waives any potential defense that Respondents may have to any claims brought  
2 by Tiffany T. Nothing in this Consent Agreement affects Respondents' testimonial obligations or rights  
3 to take legal or factual positions in litigation or other legal proceedings to which the Securities Division  
4 is not a party.

5 IT IS FURTHER AGREED that the advice of legal counsel has been obtained by Respondents  
6 prior to the execution of this Consent Agreement and Respondents are satisfied with the representation  
7 they have received. The Respondents enter into this Consent Agreement freely and voluntarily and with  
8 a full understanding of its terms and significance. This Consent Agreement and any dispute related  
9 thereto shall be governed by and interpreted according to the laws of the State of Washington.

10 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent  
11 Agreement.

12 IT IS FURTHER AGREED that the Consent Agreement may be executed in counterparts,  
13 multiple originals or by facsimile (with originals to follow promptly thereafter by overnight courier).  
14 The Consent Agreement shall take effect upon entry by the Securities Administrator.

15 In consideration of the foregoing, Morgan Stanley DW Inc., Arun Sardana, Michael T. Moriarty,  
16 and Lorenzo D. Ascoli each waive their right to a hearing on this matter and to judicial review of this  
17 matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

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Signed by:  
  
MORGAN STANLEY DW INC.  
  
  
\_/\_s/\_Ronald Carman\_\_\_\_\_  
Ronald T. Carman (Name)  
Managing Director (Title)  
Associate General Counsel  
Assistant Secretary  
  
\_/\_s/\_Arun Sardana\_\_\_\_\_  
Arun Sardana, individually  
  
\_/\_s/\_Michael T. Moriarty\_\_\_\_\_  
Michael T. Moriarty, individually  
  
\_/\_s/\_Lorenzo A. Ascoli\_\_\_\_\_  
Lorenzo A. Ascoli, individually

1 THIS AGREEMENT ENTERED THIS \_\_\_\_28th\_\_\_\_ DAY OF \_\_\_\_July\_\_\_\_, 2004 BY:

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MICHAEL STEVENSON  
Securities Administrator

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